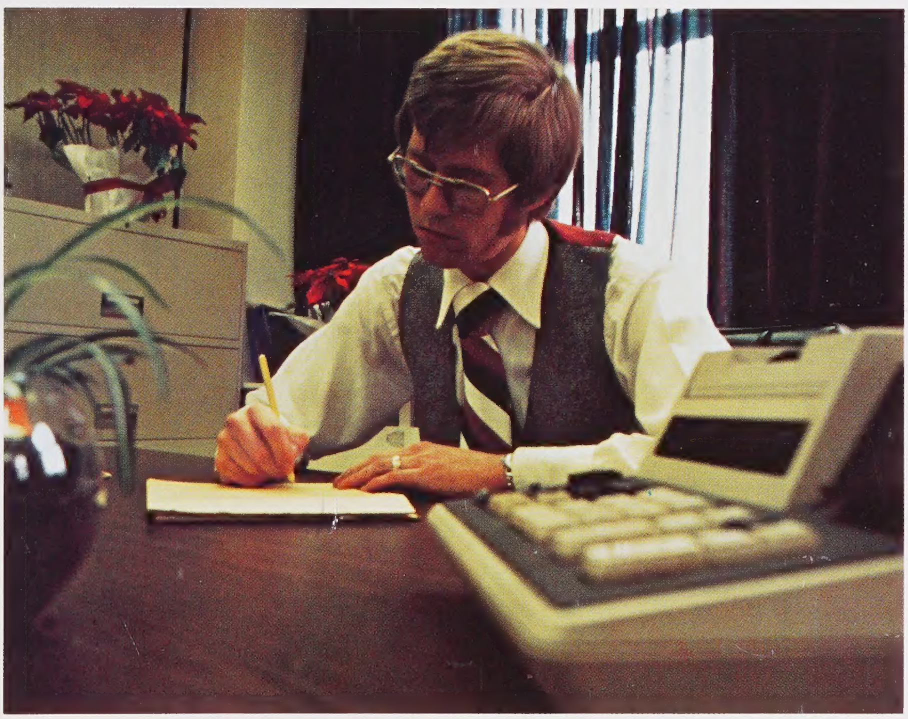
Metro Trust

The Metropolitan Trust Company

Annual Report 1976



The positive and significant achievements of 1976 would not have been possible without the effort and dedication displayed by our staff. We are proud of the fact that in our fourteen year history out of a staff of 388 we have 24 employees who have ten years or longer service. As an indication of their professionalism 24 have achieved accreditation as Associates, 9 as Members and, 1 as a Councillor of the Trust Companies Institute, the educational arm of the Trust Companies Association of Canada.

President's Report

T. Stewart Ripley, *President*

The 1976 financial results for your Company present a picture of positive and significant achievement.

This is particularly true considering they were made in a very volatile economic environment. World markets continued to reflect varying rates of inflation which, in one way or another, influenced our Canadian economic climate. Domestically the war against inflation continued with restraints on profits, prices and wages. Interest rates fluctuated widely, rising quickly in the early part of the year to record highs, and then falling back just as rapidly in the last two months of 1976.

Proposed government legislation in the field of deposits and borrowings; impending Bank Act revisions; continuing restrictive legislation in the areas of foreign investment, rent controls, and the recent events in Quebec and their possible consequences, all affected our operations and made planning for profits extremely difficult.

Earnings before profits on sales of securities increased by 14% from $1,703,000 in 1975 to $1,938,000 for the year ended December 31, 1976. These earnings were the highest in the Company's history.

Earnings per share before profits on sales of securities increased from $2.47 in 1975 to $2.60 in 1976. The rate of growth in earnings per share was somewhat less than it would have been because of the October rights issue which increased the number of outstanding shares by 40%. While the proceeds from the issue were immediately invested in preferred shares with yields high enough to offset this dilution, only minimal dividend income was reflected in earnings for the year because of the timing of the dividend payments. The dividend flow will be fully in place in 1977, eliminating the effect of the rights issue on earnings per share.

Assets increased by 24% from $361,103,000 in 1975 to $447,847,000.

The growth of deposits with your Company of $75,678,000 to a total of close to $416 million exceeded the record growth of 1973.

The dollar value of mortgages committed and funded for Company and client accounts during the year reached new highs of $251 and $168 million respectively.

A more detailed look at our divisional operations is presented later in this Annual Report.

On three occasions during the year, your Company went to the market place seeking additional capital to fund future expected growth. Two placements of subordinated notes totalling $3.4 million and a rights issue seeking $4.7 million for a total of $8.1 million were quickly taken up by the investing public. This is an indication of the level of maturity your Company has reached in the eyes of investors.

This maturity can no doubt be attributed to the fact that our operations are now widely diversified. No longer are our revenues dependent upon one sphere of activity as they were in early years of your Company. As a percentage of pre-tax income our revenues from operations can now be attributed to; 55% from our financial intermediary operations; 6% from mortgage banking fees; 24% from mortgage administration; 5% from property management; 8% from our trust services and 2% from real estate sales.

Stock dividends were first introduced to our industry some three years ago by Metropolitan Trust. It is a concept beneficial to both shareholders and company alike. Last year, because of Anti-Inflation Board regulations, your Board approved a stock dividend coupled with a cash dividend. It is

contemplated that a similar practice will be followed in 1977 reflecting 1976's positive growth.

Outlook

Metro Trust hopes for reasonable resolution of proposed changes to the Bank Act which, among other things, would require trust companies to maintain reserves with the Bank of Canada. It is our industry's concern that these are unrealistic and duplicate existing reserve requirements. There is also the question of possible constitutional infringements as most trust companies are provincially incorporated.

We also anticipate reasonable changes to the proposed Borrowers and Depositors Protection Act. The Federal Government has indicated that it is prepared to modify this legislation which currently penalizes responsible institutions along with irresponsible and illegal parties in this field.

We will continue to speak out against what we consider excessive government interference as represented by the introduction of legislation which has not been clearly thought through to its ultimate effects on all sectors of our society.

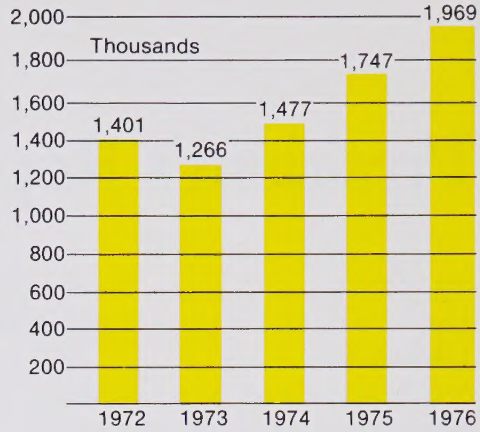
The election of the Parti Quebecois has given rise to a great deal of speculation with respect to the future of business activities in the province of Quebec. Metropolitan Trust has significant interests in Quebec. Our total investment portfolio includes assets of more than $48 million in that province, some $3 million more than is represented by our deposit liabilities to Quebec residents. We have always attempted to conduct our business affairs in Quebec, as in all other provinces in which we operate, as good corporate citizens.

We have faith in the people of Quebec — faith in their good sense and fairness. We also have a feeling of responsibility toward a united Canada in which Quebec has an important role to play. We therefore do not, at this time, intend to make any changes in our investment policies which might encourage separatist sentiments.

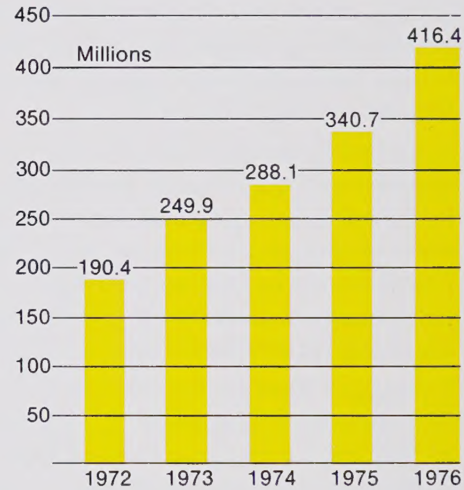
The A.I.B. legislation will be with us for some time to come, in one form or another, and we have no objection to controls except when they diminish the capacity and the initiative for productivity. The control of costs is a prerequisite to sound growth and in this area we would urge our governments to set an example.

We will continue to control our costs to the public in the spirit of A.I.B. legislation; however, we anticipate expending every effort to expand our business and thereby increase profitability. This will

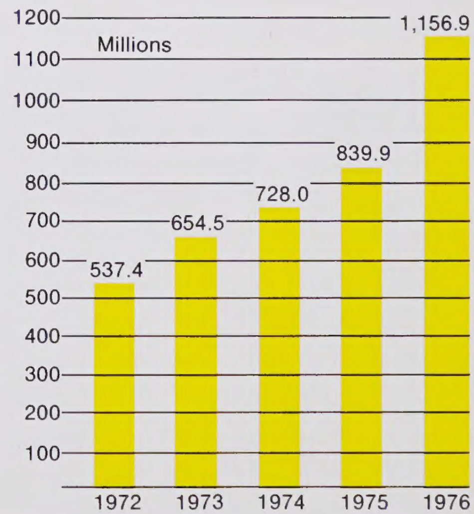
Net Earnings



Growth of Deposits (Cumulative)



Total Assets Under Administration



be accomplished in part through an aggressive approach to attract demand deposits.

Our position of mortgage commitments at year end for our own and client accounts and the expected funding of a substantial portion of this amount during the year places us in an excellent position to utilize quickly our expected deposit growth. This activity will also substantially add to our mortgage servicing income.

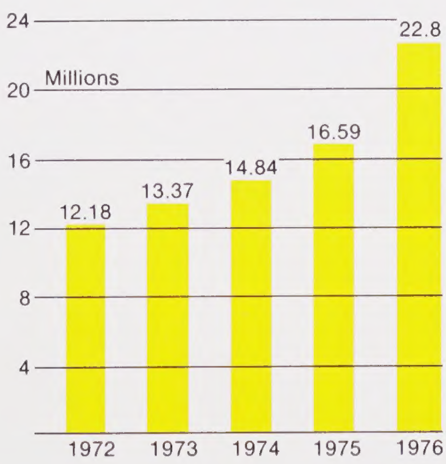
The growth in condominium management activity is expected to equal or surpass that of 1976, providing balance to our rental and owner managed units. Commissions from real estate sales in the United States should account for 50% of our total revenue from this sector in 1977.

The increasing tax deductible limits for individuals utilizing the many tax deferral plans available should increase activity in this area to the same levels achieved the last time these limits were raised.

We anticipate a good growth year in 1977 despite somewhat increased costs as a result of the introduction of our ACORN system. ACORN, an acronym for A Customer Oriented Real Time Network, aptly describes our proposed new branch on-line system. There is a growing and rapid change in the area of deposit taking. A change to electronic rather than paper based communications and transfers represents another step toward the chequeless and, probably, a cashless society. With the activity going on world wide among financial institutions and governments in researching and experimenting in this field, we find it not only necessary, but in keeping with our innovative spirit to keep abreast of this field. Our new ACORN system, we anticipate, will allow us to do just that.

1976 saw the successful completion of our first Five Year Plan, and this year we begin our second.

Shareholders' Equity



Rudolf V. Frastacky, *Chairman of the Board*

During our planning process we considered the effects of politics, economics, demographics, competition and a rapidly changing business environment. The Five Year Plan provides us with direction to achieve our goals.

In conclusion, we acknowledge the contribution made to our Board by Dr. Franz Maier who retired in July of last year. We welcome as his replacement Dr. Hans Linns representing, as did Dr. Maier, Bayerische Landesbank Girozentrale, a major bank in West Germany.

Our Chairman and Founder, Rudolf V. Frastacky, reached normal retirement age in February of this year. We owe a great debt of gratitude to Mr. Frastacky. Since inception in 1962, The Metropolitan Trust Company has consumed nearly all of his thoughts and energy. Although he has reached retirement age, he has indicated his willingness to serve the Company in such capacity as the Board of Directors may request. It is expected that he will continue as Chairman and as a member of the Management Committee for a number of years to come.

Finally, let me say thanks on behalf of our Board to all of our employees for their individual and collective contribution to the achievements of 1976.

T. S. RIPLEY, President

Our Growth in Brief

Assets, Deposits and Borrowings and Equity at December 31

	1976	1975	1974	1973	1972
Mortgages	**$ 335,584,000**	$272,647,000	$224,674,000	$190,680,000	$153,314,000
Other Company and Guaranteed Account assets	**112,263,000**	88,456,000	80,753,000	75,564,000	50,509,000
	447,847,000	361,103,000	305,427,000	266,244,000	203,823,000
Estates, Trusts and Agencies	**709,035,000**	478,752,000	422,594,000	388,294,000	333,615,000
Total Assets under Administration	**$1,156,882,000**	$839,855,000	$728,021,000	$654,538,000	$537,438,000
Savings and Term Deposits and Investment Certificates	**$ 416,398,000**	$340,720,000	$288,115,000	$249,930,000	$190,390,000
Deferred Income Taxes and Other Liabilities	**$ 8,583,000**	$ 3,792,000	$ 2,468,000	$ 2,949,000	$ 1,256,000
Shareholders' Equity	**$ 22,866,000**	$ 16,591,000	$ 14,844,000	$ 13,365,000	$ 12,177,000

Earnings	**1976**	1975	1974	1973	1972
Earnings before Profits on Sales of Securities	**$1,938,000**	$1,703,000	$ 733,000	$1,229,000	$1,173,000
Profits on Sales of Securities	**31,000**	44,000	744,000	21,000	63,000
Earnings before Extraordinary Credit	**1,969,000**	1,747,000	1,477,000	1,250,000	1,236,000
Extraordinary Credit-Tax Reduction	**—**	—	—	16,000	165,000
Net Earnings	**$1,969,000**	$1,747,000	$1,477,000	$1,266,000	$1,401,000
Earnings Per Share (note)					
Earnings before Profits on Sales of Securities	$2.60	$2.47	$1.06	$1.82	$1.78
Profits on Sales of Securities	.04	.06	1.08	.03	.10
Earnings before Extraordinary Credit	2.64	2.53	2.14	1.85	1.88
Extraordinary Credit — Tax Reduction	—	—	—	.02	.25
Net Earnings	$ 2.64	$ 2.53	$ 2.14	$ 1.87	$ 2.13

Note: For comparative purposes the earnings per share of prior years have been restated to reflect 5% stock dividends paid in 1976, 1975 and 1974.

Tall Oaks From Little Acorns Grow

Metro Trust
The Metropolitan Trust Company

(Incorporated under The Loan and Trust Corporations Act of Ontario.)

Financial Statements

Consolidated Balance Sheet December 31, 1976

with comparative figures at December 31, 1975

Assets

	1976	1975
Cash and bank deposit receipts	$ 28,623,000	$ 33,910,000
Short-term investments, at cost which approximates market value	21,714,000	12,842,000
Bonds:		
Government of Canada and Provincial	27,846,000	21,811,000
Municipal and corporate	6,036,000	3,952,000
Total, at amortized cost (market value 1976 — $33,591,000; 1975 — $24,453,000)	33,882,000	25,763,000
Stocks, at cost (market value 1976 — $12,350,000; 1975 — $4,885,000)	11,838,000	4,748,000
Interest accrued on investments and loans	5,139,000	4,380,000
Fees, commissions and other receivables	344,000	118,000
Mortgages, loans and advances:		
Mortgage loans, at amortized cost	325,226,000	261,383,000
Advances on mortgages to be resold	10,358,000	11,264,000
Advances to estates, trusts and agencies	182,000	558,000
Personal and secured loans	6,394,000	3,510,000
	342,160,000	276,715,000
Income-producing properties, at cost less accumulated depreciation of $111,000 (1975 — $78,000)	2,830,000	1,277,000
Deferred cost of scholarship program, less amortization	298,000	376,000
Premises, equipment and leasehold improvements at cost less accumulated depreciation and amortization of $1,520,000 (1975 — $1,351,000)	1,019,000	974,000
	$447,847,000	$361,103,000

(See accompanying notes to the consolidated financial statements)

Liabilities and Shareholders' Equity

	1976	1975
Deposits and borrowings (note 2):		
Savings and chequing deposits	$121,856,000	$113,199,000
Term deposits	37,297,000	22,609,000
Investment certificates	244,181,000	196,422,000
Interest accrued on deposits and borrowings	13,064,000	8,490,000
	416,398,000	340,720,000
Other liabilities:		
Sundry accrued liabilities	889,000	417,000
Income taxes payable	483,000	156,000
Mortgages payable on income-producing properties	1,052,000	713,000
	2,424,000	1,286,000
Deferred income taxes	2,213,000	2,006,000
Subordinated notes (note 3)	3,946,000	500,000
Shareholders' equity:		
Capital stock (note 4) —		
Authorized:		
1,000,000 shares without par value		
Issued:		
967,387 shares (1975 — 657,802)	10,692,000	5,973,000
Contributed surplus	2,422,000	2,422,000
Reserve fund	5,000,000	4,500,000
Retained earnings	4,752,000	3,696,000
	22,866,000	16,591,000
	$447,847,000	$361,103,000

On behalf of the Board:

Rudolf V. Frastacky,
Chairman of the Board

T. Stewart Ripley,
President

Consolidated Statement of Earnings

For the Year Ended December 31, 1976
(with comparative figures for the year ended December 31, 1975)

		1976	1975
Income:			
Interest on mortgages	+6	$29,515,000	$23,794,000
Interest and dividends on securities	+2	8,159,000	6,006,000
Interest on personal and secured loans	.2	659,000	411,000
Fees and commissions from —			
Estates, trusts and agencies	.4	2,185,000	1,714,000
Real estate (net) (note 5)		687,000	396,000
Mortgages	.2	928,000	712,000
Other sources		252,000	240,000
		42,385,000	33,273,000
Expense:			
Interest on deposits and borrowings		31,353,000	23,870,000
Salaries and staff benefits		4,557,000	3,898,000
Premises expense (note 6)		1,121,000	952,000
Other operating expenses		2,163,000	1,800,000
		39,194,000	30,520,000
Earnings before income taxes		3,191,000	2,753,000
Income taxes (note 7):			
Current		1,046,000	382,000
Deferred		207,000	668,000
		1,253,000	1,050,000
Earnings before profits on sales of securities		1,938,000	1,703,000
Profits on sales of securities (net of income taxes of $30,000 in 1976; $43,000 in 1975)		31,000	44,000
Net earnings		$ 1,969,000	$ 1,747,000
Earnings per share, based on the weighted average number of shares outstanding (1975 restated to reflect 5% stock dividend paid in 1976):			
Earnings before profits on sales of securities		$2.60	$2.47
Profits on sales of securities		.04	.06
Net earnings		$2.64	$2.53

(See accompanying notes to the consolidated financial statements)

Consolidated Statement of Changes in Financial Position

For the Year Ended December 31, 1976
(with comparative figures for the year ended December 31, 1975)

	1976	1975
Source of funds:		
Operations —		
Earnings before profits on sales of securities	$ 1,938,000	$ 1,703,000
Add (deduct) non-cash items:		
Amortization of investments and mortgages	(578,000)	(472,000)
Depreciation of premises and income-producing properties	235,000	214,000
Deferred income taxes	207,000	668,000
Amortization of deferred cost of scholarship program	78,000	66,000
Amortization of discount on subordinated notes	134,000	
	2,014,000	2,179,000
Profits on sales of securities	31,000	44,000
Total from operations	2,045,000	2,223,000
Issuance of subordinated notes	3,312,000	500,000
Issuance of capital stock, net of related expenses of $81,000	4,630,000	
Increase in deposits and borrowings	75,678,000	52,605,000
	$85,665,000	$55,328,000
Application of funds:		
Mortgages, loans and advances	$65,127,000	$48,163,000
Investments in bonds and stocks	14,949,000	3,843,000
Purchase of income-producing properties, net of mortgages assumed	1,208,000	
Additions to premises and equipment (net)	247,000	101,000
Increase in cash and bank deposit receipts and short-term investments	3,585,000	2,706,000
Cash dividends	329,000	
Net increase in other assets	220,000	515,000
	$85,665,000	$55,328,000

(See accompanying notes to the consolidated financial statements)

Consolidated Statement of Contributed Surplus, Reserve Fund and Retained Earnings

For the Year Ended December 31, 1976
(with comparative figures for the year ended December 31, 1975)

	1976	1975
Contributed Surplus		
Balance, end of year (unchanged)	$ 2,422,000	$ 2,422,000
Reserve Fund		
Balance, beginning of year	$ 4,500,000	$ 4,000,000
Add transfer from retained earnings	500,000	500,000
Balance, end of year	$ 5,000,000	$ 4,500,000
Retained Earnings		
Balance, beginning of year	$ 3,696,000	$ 2,452,000
Add net earnings	1,969,000	1,747,000
	5,665,000	4,199,000
Deduct:		
Cash dividends	329,000	
Stock dividends (note 4)	3,000	3,000
Transfer to reserve fund	500,000	500,000
Expenses of rights issue	81,000	
	913,000	503,000
Balance, end of year	$ 4,752,000	$ 3,696,000

(See accompanying notes to the consolidated financial statements)

Auditors' Report

To the Shareholders of
The Metropolitan Trust Company:

We have examined the consolidated balance sheet of The Metropolitan Trust Company as at December 31, 1976 and the consolidated statements of earnings, contributed surplus, reserve fund, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances and we obtained all the information and explanations we required.

In our opinion these consolidated financial statements present fairly the financial position of The Metropolitan Trust Company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change in accounting presentation referred to in note 5.

CLARKSON, GORDON & CO.
Chartered Accountants

Toronto, Canada,
February 10, 1977.

Notes to the Consolidated Financial Statements

December 31, 1976

1. **Summary of significant accounting policies**

The following is a summary of significant accounting policies followed in the preparation of the consolidated financial statements:

(a) Basis of consolidation —

The consolidated financial statements include the accounts of the company and its subsidiaries, International Savings and Mortgage Corporation (99.01% owned), Canadian First Mortgage Corporation (99.36% owned), Metco Investments Limited (50.05% owned), Scholarship Consultants of North America Ltd. (wholly-owned) and CDI Financial Corporation (wholly-owned).

(b) Deferred cost of scholarship program —

The deferred cost of scholarship program represents the acquisition cost less amortization of all of the outstanding shares of Scholarship Consultants of North America Ltd., a company which administered a university scholarship program of which The Metropolitan Trust Company is depository and trustee. As the acquisition results in a reduction of expenses, the cost of the shares is being amortized over the eight-year period 1973-1980 inclusive during which it is estimated the reductions in expenses will be realized.

(c) Depreciation and amortization —

Company-owned premises, including income-producing properties, are depreciated on the straight-line basis over forty years. Improvements to leased premises, and furniture and equipment are depreciated on the straight-line basis over eight years. Automobiles are depreciated on the declining balance basis at an annual rate of 30%.

(d) Fees and commissions —

Fees and commissions on real estate and mortgage transactions are recorded on the settlement of the transaction. Other fee income is accrued at the time the services are rendered.

(e) Income taxes —

The company follows the tax allocation method of accounting for income taxes. Deferred taxes relate principally to mortgage reserves claimed for tax purposes which are in excess of amounts recorded in the accounts.

2. **Guaranteed trust account**

Total deposits and borrowings of $416,398,000 consist of guaranteed trust liabilities of $338,400,000 (secured by assets of an equal amount) and deposits and debentures of subsidiary loan corporations of $77,976,000.

3. **Subordinated notes**

As at December 31, 1976, subordinated notes were outstanding as follows:

10¾% note due January 24, 1981	$ 500,000
10¾% notes due May 31, 1981	2,000,000
Notes due March 2, 1981*	1,446,000
	$3,946,000

*Swiss franc notes (S.Frs. 5,000,000) issued on the basis of an 8% discount. The company has fully hedged the amount payable at a cost of 4% per annum.

4. **Capital stock**

During 1976, 309,585 shares of the company's capital stock were issued as follows:

	Number of shares	Price per share	Increase in capital stock
On exercise of rights granted to shareholders to purchase 2 new shares for each 5 shares held	272,512 3,884	$17.00 20.00	$4,711,000
In exchange for shares of subsidiary companies acquired from minority shareholders	323	15.00	5,000
On declaration of 5% stock dividend (prior to rights issue), for which an amount of 10¢ per share was charged against retained earnings and added to capital stock	32,866		3,000
	309,585		$4,719,000

5. **Change in presentation of real estate commissions**

In 1976, real estate commission income is shown net of commissions paid to real estate salesmen. In prior years, commissions paid to real estate salesmen were shown under "Expense". The figures for

the year ended December 31, 1975 in the consolidated statement of earnings have been restated to conform with the 1976 presentation.

6. **Premises expense**
Premises expense includes the following items:

	1976	1975
Depreciation	$ 202,000	$185,000
Rentals paid	648,000	546,000
Other	271,000	221,000
	$1,121,000	$952,000

The company's head office and branch premises are held under long-term leases extending over the next 14 years. The minimum annual rental payable in 1977 under all leases currently in force totals $711,000.

7. **Income taxes**
(a) Earnings before income taxes and profits on sales of securities include the following amounts which are not subject to income tax:

	1976	1975
Amortization of investments	$134,000	$188,000
Dividends and interest on income bond	591,000	500,000
	$725,000	$688,000

(b) Certain profits on sales of securities in 1974 were treated by the company as capital transactions in its accounts and for income tax purposes. During a routine tax audit the taxation authorities questioned whether some or all of these profits should be taxed as ordinary income. The maximum additional tax involved if an assessment is issued and the entire profits were ultimately found taxable as ordinary income would be approximately $600,000 which would be accounted for as a prior year's adjustment and not as a charge against future earnings. The company would strongly resist any attempts by the taxation authorities to tax these profits as other than capital transactions.

8. **Directors' and officers' remuneration**
Remuneration of directors and officers was as follows:

	1976	1975
Directors	$ 33,000	$ 23,000
Officers	608,000	451,000
	$641,000	$474,000

9. **Anti-Inflation Program**
The company is subject to controls on cash dividends under the Anti-Inflation Act. In the period January 1 to October 13, 1977, dividends on the company's shares may not exceed 45 cents a share, or a total of $438,000.

Maturities Schedule

Maturities of Deposits & Borrowings (000's)

	December 31, 1976						December 31, 1975	
	Investment Certificates	Savings	Short-Term Deposits	Chequing	Total	%	Total	%
On demand and due within 1 year	$ 73,315	$101,985	$37,297	$19,871	$232,468	57.6	$201,793	60.7
1 to 5 years	170,854				170,854	42.3	130,425	39.2
6 to 10 years	12				12	.1	12	.1
	$244,181	$101,985	$37,297	$19,871	$403,334	100.0 %	$332,230	100.0%

Maturities of Investments (000's)

	December 31, 1976							December 31, 1975	
	Cash and Bank Deposit Receipts	Short Term Invest-ments	Secured Loans and Advances to Clients	Securities	Mortgages	Total	%	Total	%
On demand and due within 1 year	$28,623	$21,714	$6,576	$ 3,975	$ 39,327	$100,215	23.0	$ 75,765	21.4
1 to 5 years				23,362	241,848	265,210	60.5	237.076	67.0
6 to 10 years				3,595	32,813	36,408	8.3	11,558	3.3
11 to 15 years				1,388	8,836	10,224	2.3	10,444	3.0
16 to 20 years				764	2,915	3,679	0.8	3,671	1.0
Over 20 years				798	9,845	10,643	2.4	10,716	3.0
Preferred and Common Stock				11,838	—	11,838	2.7	4,748	1.3
	$28,623	$21,714	$6,576	$45,720	$335,584	$438,217	100.0%	$353,978	100.0%

Operation Report

Trust companies' operations cover a broad and diverse range of financial services. They have been likened in the past to "financial department stores." What is generally not appreciated is that a number of trust companies have been around for close to one hundred years, some even longer. The performance of trust companies is an enviable one. Never has a depositor in a trust company ever lost one cent through the failure of a trust company to meet its obligations.

The principal operation of a trust company is as a trustee of public deposits. Accepting these deposits on a demand or term basis, generally from one to five years. The other major role of trust companies is the reinvestment of these deposits in securities, primarily mortgages on residential properties. Acting in this capacity of financial intermediary, a trust company's profit is the difference between what is paid on deposits and what is earned on investments less overhead costs. All of the other functions performed can best be described as money management services to administer a trust or an estate, manage an investment portfolio, secure mortgages or to act as a mortgage broker or property manager.

Most trust companies perform or provide some, if not all, of these services. The operations of The Metropolitan Trust Company are a reflection of the industry as a whole. Our added touch is the innovation we bring to our services.

Branch Division

Branch Division operations is the front end of the financial intermediary function. Deposits are accepted through our 22 offices across Canada and located in centres which have indications for the greatest potential growth. In 1976, deposits grew by some $76,000,000 to approximately $416,000,000, our greatest volume growth ever. Our two newest branches, Smiths Falls and Edmonton, have performed beyond budgeted expectations.

New branches are a costly process and not without risk. In the competitive environment within which we operate, we cannot hope to meet our competition in all areas through the opening of new branch locations.

Although new branch openings will continue to form part of our planning — two are contemplated for 1977 — we feel the introduction of our new ACORN system in 1977 may be the answer to extending our market reach.

ACORN is basically a realtime on-line computerized system designed to handle deposits, withdrawals, transfers between accounts, automatic payments of personal loans and rental and mortgage payments. It will also eventually provide inter-branch transactions and produce regularly for our customers one statement covering all of these financial transactions. It is being developed slowly and carefully and will be introduced in stages.

Perhaps the greatest benefit of ACORN lies in its adaptability to eventually extend our services to our customers on a 24-hour-a-day, seven-day-a-week basis, through using automated teller terminals placed outside and beyond our present branch locations in other strategic locations. A further look into the future could foresee such facilities located right at the check-out counter of convenience stores, supermarkets and other retail outlets located in every area of a city. Futuristic, yes — but it is happening in exactly this way in many centres in the United States and will happen in Canada. When it does, Metropolitan Trust, with its ACORN system, should be able to adapt to it with ease.

Coupled with this innovative systems approach, an aggressive marketing campaign to attract deposits has been planned for 1977. Emphasis will be placed on attracting demand deposits and personal loans. The introduction of absolutely free chequing and premium interest rates on combination savings and chequing accounts, and other incentives, will make Metro Trust more appealing to existing and potential customers — people of all ages.

Personal loans are a growing part of our business. We

increased our volume by 20 percent in 1976. Our competitive rates and terms, coupled with the planned introduction of regional personal loan officers should expand our market share in 1977.

Financial Division

This division is the middleman in our financial intermediary operation. It is a support division comprised of Treasury, Investment, Accounting and Internal Audit. Its functions are to invest the monies taken in by deposits, primarily into mortgages. At year end, 75 percent of our deposit funds were directed to this area. The balance is invested in government and corporate securities, many of which we are required to hold to meet liquidity requirements of the Loan and Trust Corporations Act. These funds are managed in a manner which will most closely match the maturities of term deposits to the maturities of investments, while at the same time directing the demand deposits to liquid investments and to fund personal loans. Accounting records the transactions and Internal Audit scrutinizes the security provided in the handling and holding of these investments.

Mortgage Division

In late 1975 and early 1976, the Mortgage Division anticipated an excess of available mortgage funds in late 1976 and throughout 1977.

As a result, Metro Trust substantially increased its forward commitments to new construction rather than concentrating lending activities on the re-financing mortgage market. At the end of 1976, the Company's outstanding mortgage commitment position stood at $101.4 million compared to $27.8 million in the previous year. Long range planning has given the Company a strong base of future mortgage investments for 1977, for both our own portfolio and for sales to clients.

Though the Company altered its lending policy to concentrate on new construction loans, it was felt that a new mortgage vehicle was necessary to increase our share of the re-financing market. That vehicle is the Flex-Term mortgage.

This new product was introduced in April and has gained wide market acceptance as the most innovative and flexible conventional mortgage available.

Metro Trust's Flex-Term mortgages feature interchangeability of terms. Homeowners can renew mortgages for any term they wish, throughout the amortization period, regardless of the length of their present term.

This means an individual who has a Metro Trust two-year term mortgage can, for example, renew on a two-year term or change to a one-, three-, four- or five-year term automatically. This renewal feature continues until the mortgage is paid in full.

Renewal of Flex-Term mortgages is guaranteed to clients who have met their normal obligations. There are no additional legal costs involved in renewal and Flex-Term mortgages cover up to 85% of the house and land value.

The big advantage for homeowners taking shorter term Flex-Term mortgages are lower interest rates. By taking advantage of the lower interest rates, monthly payments are reduced. This allows more people to enter the home buying market.

Also, the low interest rates mean that a greater proportion of each monthly payment is in principal. The greater the percentage of principal the homeowner is able to repay at the beginning of a mortgage term, the less interest he will pay on the remaining principal toward the end of the term. The lower the rate of interest, the more rapidly the principal is paid off.

Shorter term Flex-Term mortgages give homeowners more repayment flexibility. The more frequent the number of maturity dates, the more often a homeowner is in a position to repay all or part of the principal without repayment penalties.

Metro Trust's Flex-Term mortgages appear to be most popular with young married professional couples who tend to view the house they own as both a home and an investment.

During the last four months of 1976, a large portion of the conventional loans made by the Company were Flex-Term mortgages. We expect these mortgages to become increasingly popular over 1977.

At the end of 1976, Metro Trust's portfolio contained 14,222 mortgages, an increase of 7 percent. This included conventional, N.H.A., high ratio insured, commercial, industrial, second and interim mortgage loans. Metro Trust now administers mortgages in British Columbia, Alberta, Manitoba, Ontario, Quebec, Nova Scotia, New Brunswick and Prince Edward Island.

Mortgage Banking Division

This division is a natural off-shoot of our mortgage operations and is a service division, performing a function for our institutional and individual investor clients. Many mortgages which come to our attention are too large for our Company to invest in on its own. This division seeks out investors who, individually, or collectively with other investors, and sometimes with Metropolitan Trust, can handle such an investment. In 1976, they were successful in their efforts as indicated by total commitments of $85.6 million and total fundings of $84.3 million, increases of 47 percent and 174 percent respectively over 1975 accomplishments.

The fact that 94 percent of commitments were N.H.A. mortgages on residential properties attests to this division's response to government demands for increased funds for housing. To develop this business, new mortgage outlets were established with mortgage brokers in the prairie provinces, Ontario and Quebec, to seek out specifically N.H.A. E-type mortgages. This is a form of a federal government insured mortgage on an existing dwelling. Our subsidiary METCO was reactivated to sell these mortgages to institutions and individuals domestically and abroad. This operation accounted in its first nine months of operations for 15 percent of the division's total commitments. All of the mortgages

arranged by this division remain with the Company for servicing, thereby providing a substantial ancillary benefit by way of the fees charged for this service. Of our total servicing portfolio, $302 million is administered for outside clients.

A review of our mortgage operations would not be complete without mention of the operation of our subsidiaries. CDI is a company engaged primarily in the interim financing of large projects, from land development to shopping centres. It is operated as an adjunct of our Mortgage Banking Division and funded primarily by Metropolitan Trust and other associated institutions. Our two long-standing subsidiaries, International Savings and Mortgage Corporation and Canadian First Mortgage Corporation, are engaged basically in the same type of lending as Metropolitan Trust, and Metropolitan staff does the work for a fee, finding and selling these companies mortgages which we then service. In the past year, Canadian First Mortgage turned its attention primarily to the placement of conventional loans in the smaller communities of Ontario.

Real Estate Division

Management of rental properties such as apartment, commercial and industrial buildings has been the division's major function. Metro Trust manages some 5,000 rental units. The problems arising from rent review legislation, along with the waning interest in apartment building ownership by non-resident investors, has turned our direction toward professional condominium management. With over 70,000 condominium units now in Ontario, this is a growing market. We have turned the experience gained in our years of rental management to this sector and now have some 2,700 units under contract. Over 1,500 of these units were added in the past year, and condominiums now reflect close to 31 percent of our total portfolio.

Our involvement in property management meant that in 1976 much of the time spent by our staff was in endless meetings and hearings and the preparation of briefs to rent review boards. A new on-line computerized system was introduced into our operations enabling us to update information faster and obtain accurate figures on a more timely basis. At the same time, the majority of our senior staff were engaged in enhancing their professionalism by studying for the Certified Property Manager's designation.

Real estate sales, particularly to non-residents, has also been adversely affected by legislation. In response to diminishing interest in Canada's real estate, our attention turned to the United States market. Results during 1976 in the sale of commercial and farm properties in that country have prompted us to form a new subsidiary, Metropolitan Estates Corporation. This company will seek out saleable United States properties which will be purchased and then offered for resale through our international department and domestic offices for sale to non-residents and Canadians. This company will provide management and continued equity participation.

In addition, a farm division office will be established in Chicago, Illinois to provide with respect to farm purchases, investment counsel, acquisition assistance and continuing supervisory management.

In these major areas of the division's operation, response to changing conditions has been quick and positive and holds promise for the future. The domestic residential part of our operation suffered in 1976 as did the whole field of residential real estate sales. However, actions taken in prior years to place the majority of our offices on a franchised basis has provided a greater control of costs and, in most cases, resulted in a satisfactory operation for the office manager and the Company.

Trust Division

This division is our major service division in respect to the multitude of services it performs for individuals and corporations. Historically, it is the slowest division within a trust company's operations to become profitable. Many of its functions are centered in the field of estate planning and administration where fees are paid, in many cases, at the conclusion of performance. While performing these services, which are of a delicate and intricate nature, experienced staff has to be maintained. At Metro Trust, our emphasis has always been on developing those trust services which result in on-going fee payments for services performed while at the same time developing the more traditional services.

In the personal trust areas, the increased interest and favourable legislation surrounding retirement plans has proved a boon to this approach. The awareness that individuals should be encouraged to plan for their own retirement and supplement government and employer benefits has opened up a whole new world of Registered Retirement Savings Plans, Deferred Profit Sharing Plans and Income Tax Averaging Certificates. Metro Trust has always been active in this field and managed to continually expand its share of the market. However, this increased interest and the introduction in 1975 of Registered Home Ownership Savings Plans as another tax shelter vehicle along with the growing complexity of completing an income tax return prompted the introduction in early 1977 of Tax-Pac. It provides the buyer with a guide to information on RRSPs, RHOSPs, DPSPs, ITACs and tax preparation. All of these services are available at Metro Trust branches.

Deferred Profit Sharing Plans are opening up many new opportunities for smaller firms and their employees, and Income Tax Averaging Certificates provide a simple method of averaging lump sum payments, relieving taxes and providing an acceptable return at the same time.

Our corporate trust services have taken significant steps forward over the past few years. Five years previous, our administration of corporate pension plan assets was nil. Metro Trust now administers some $50 million of such assets and our increases in 1976 accounted for a little over 25 percent of this total. Again, on the corporate side we experienced a 50 percent increase in the number of corporate appointments as stock transfer agent and registrar.

The flexibility and variety of trust services offered from mortgage and equity investment funds and varying terms of Guaranteed Investment Certificates, plus our specialized investment management and estate services, satisfy the requirements of the majority of the public.

Systems Division

This is the research and development area of our operations and is a support function to all service departments of our Company, particularly those that are computerized. Although much of the attention of this division was directed in 1976 to the development of the ACORN system, it was active elsewhere.

A new on-line system was introduced in property management. The enhancement of our system controlling Guaranteed Investment Certificates was undertaken. This provides faster turnaround time for customer delivery of certificates and moves the input information eventually into the branches to avoid errors. Data processing charges were reduced some 40 percent, despite an increase in volumes through a switch of service bureaux and a gradual change to the use of the mini computer. Analysis is now being conducted to determine the feasibility of using our computer facilities for training purposes. A mini computer network is in the planning stages. Forms and design control and the implementation of a customer data base are additional steps being taken by this division in an effort to reduce our costs and enhance our marketing capabilities.

Personnel Division

In these days of wage controls, inflation, expansive unemployment benefits and prolific government grants for make-work projects, this division has a difficult time in maintaining for all other divisions an acceptable quality and quantity of staff. For the first time in a number of years, we experienced a substantial decrease in our rate of turnover, down some 10 percent from 1975.

The introduction of employee information programs, internal training courses in mortgage appraising, tax preparation and trust services may all have been a contributing factor. Also, the industry's acknowledgement of professionalism and proficiency, as evidenced by accreditation at various levels in the Trust Companies Institute which has brought recognition to many of our employees, has been an encouragement to staff.

The future will see a changing role with the expected advent of computerized systems, particularly in the branch area. Gone will be the repetitious calculations of interest, the posting of accounts, the creation of reports to be replaced with free time which must be put to its best use. This division will be extensively involved in the retraining of our staff to better serve our customers in this free time. They will act more as a counsellor on all of our many services and as a direct information source to the clients' affairs with Metro Trust. It should make life more pleasant for our staff and our customers.

Directors

*Rudolf V. Frastacky
Chairman of the Board — The Metropolitan Trust Company

*T. Stewart Ripley, C.T.C.I.
President — The Metropolitan Trust Company

*Jan Duinker
Vice-President — The Metropolitan Trust Company
President — ABN Canada Limited

Louis G. Allen
President and Chief Administrative Officer —
Manufacturers National Bank of Detroit

Sonja I. Bata
Director — Bata Limited

*Peter J. M. Bloemen
President — Trucena Investments Limited

*John D. Bradley
President — Bradley Farms Limited
President — First Chatham Corporation

Joseph A. N. Chiappetta, Q.C.
Barrister and Solicitor — Partner —
Gambin, Bratty, Chiappetta, Morassutti & Caruso

Dr. Helmut Frost
Member of the Management Committee — Simonbank AG
Düsseldorf, West Germany

The Hon. Douglas S. Harkness, P.C., G.M., E.D., B.A.
Member of the Privy Council of Canada
Farmer

J. Alex Langford, Q.C.
Barrister and Solicitor — Partner —
Miller, Thomson, Sedgewick, Lewis & Healy

Dr. Hans P. Linns
President, Bank Director and Member of the Executive Committee —
Bayerische Landesbank Girozentrale, Munich, West Germany

*J. Jacques Pigott
Executive Vice-President — Pigott Construction Company Limited

*Lawrence W. Skey, D.F.C., B.Comm.
Managing Director — Economic Investment Trust Limited

Senator, The Hon. Richard J. Stanbury, Q.C.
Barrister and Solicitor — Cassels Brock

Nikolaus von Niessen
Manager — Credit Suisse (Canada) Limited

Dr. Hans Heinrich Ritter von Srbik
General Partner — Bankhaus H. Aufhauser, Munich, West Germany

* *Members of Executive Committee*

Officers

Honorary Chairman of the Board
The Right Hon. Roland Michener, P.C., Q.C.

Chairman of the Board — Rudolf V. Frastacky

President — T. Stewart Ripley, C.T.C.I.

Vice-President — Jan Duinker

Vice-President and General Manager —
A. Jack Russell, M.T.C.I.

Vice-President, Mortgage Division —
Philip A. Armstrong, M.T.C.I.

Vice-President, Corporate Systems Division —
Joseph A. DeKort, M.T.C.I.

Vice-President, Western Region —
J. William K. Hunt, M.T.C.I.

Vice-President, Marketing —
Frederick J. Lockhart

Vice-President, Branch Division —
William J. Shaw

Vice-President, Real Estate Division —
Ted. G. H. Stella

Vice-President, Trust Division —
Warren Thompson, M.T.C.I.

Vice-President, Mortgage Banking Division —
J. Malcolm Wredden

Secretary-Treasurer — Lloyd B. Will, M.T.C.I.

Assistant Treasurer — Edwin J. Carter, C.A.

Assistant Treasurer — H. Vernon Paige, C.A.

Controller —Christopher W. C. Thomson, C.A.

Assistant Controller — Ivan N. Svendsen

Manager, Personnel — Kenneth A. Garner

Locations

Head Office

353 Bay Street, Toronto	869-1880

Savings Branches

Toronto and Area:

353 Bay St., J. Mitchell, Mgr.	869-3494
2326 Bloor St. W., J. De Jong, Mgr.	763-5551
3038 Bloor St. W., P. Boughner, Mgr.	236-1107
681 Danforth Avenue, R. Schmidt, Mgr.	461-0221
43 Eglinton Ave. E., E. Natolochny, Acting Mgr.	485-1173
852 Eglinton Ave. W., R. Reeves, Mgr.	789-2149
1171 St. Clair Ave. W., J. Crisostomo, Mgr.	654-8906
628 Sheppard Ave. W., D. Donaghy, Mgr.	638-1955
45 Overlea Blvd., Thorncliffe Market Place, J. Williams, Mgr.	421-3900
6432 Yonge St., Towne and Countrye Square, S. Mullarkey, Mgr.	223-6420
1603 Wilson Ave., J. Price, Mgr.	244-1101
1250 South Service Rd., Dixie Plaza, D. Rogers, Mgr.	274-3681

Smiths Falls:

275 Brockville St., County Fair Mall, D. Webb, Mgr.	283-2641

Chatham:

635 Grand Avenue W., Thameslea Shopping Centre, J. McKay, Mgr.	354-5110

Windsor:

500 Ouellette Ave., The Metropolitan Trust Building, T. Alexander, Mgr.	252-7712

Supervisor, Southwest Ontario — Lloyd A. H. Wicks

Montreal:

4861 Van Horne Ave., Van Horne Shopping Centre, P. Nicell, Mgr.	731-6883
7075 Cote St-Luc Rd., Cote St-Luc Shopping Centre, F. Becker, Mgr.	486-7393
2324 Lucerne Rd., Town of Mount Royal Shopping Centre, J. Marcoux, Mgr.	735-1155
5268A Queen Mary Rd., H. Schwab, Mgr.	481-2752

Vancouver:

544 Howe St., V. Brown, Mgr.	688-0251
927 Marine Dr., Capilano Mall, North Vancouver, M. Oram, Mgr.	980-6061

Edmonton:

10225 Jasper Ave., R. Wigmore, Mgr.	422-5141

Real Estate Offices:

Residential:

1599 Ellesmere Rd., Scarborough	438-9766
1250 South Service Rd., Dixie Plaza, Mississauga	274-3663
400 Adelaide St. N., London	672-0520
424 Queen St., Ottawa	235-1458

Industrial and Commercial:

353 Bay Street, Toronto	869-1880
424 Queen Street, Ottawa	235-1458
544 Howe Street, Vancouver	688-0251

Property Management:

15 Toronto Street, Toronto	869-1100
116 Lisgar Street, Ottawa	238-8660
544 Howe Street, Vancouver	688-0251

Appraisal:

353 Bay Street, Toronto	869-1880

Subsidiary Companies:

CDI Financial Corporation
Canadian First Mortgage Corporation
International Savings and Mortgage Corporation
Scholarship Consultants of North America Ltd.
Metco Investments Limited
Metropolitan Estates Corporation

Printed in Canada

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Metro Trust
The Metropolitan Trust Company

HEAD OFFICE:

353 Bay Street, Toronto	869-1880

SAVINGS BRANCHES:

TORONTO AND AREA:

353 Bay Street	869-1880
2326 Bloor Street West	763-5551
3038 Bloor Street West	236-1107
681 Danforth Avenue	461-0221
43 Eglinton Avenue East	485-1173
852 Eglinton Avenue West	789-2149
1171 St. Clair Avenue West	654-8906
628 Sheppard Avenue West	638-1955
45 Overlea Boulevard, Thorncliffe Market Place	421-3900
6432 Yonge Street, Towne and Countrye Square	223-6420
1603 Wilson Avenue West	244-1101
1250 South Service Road, Dixie Plaza	274-3681

CHATHAM:

635 Grand Avenue West, Thameslea Shopping Centre	354-5110

WINDSOR:

500 Ouellette Avenue, The Metropolitan Trust Building	252-7712

SMITHS FALLS:

275 Brockville Road, County Fair Mall Shopping Centre	283-2641

MONTREAL:

4861 Van Horne Avenue, Van Horne Shopping Centre	731-6883
7075 Cote St-Luc Road, Cote St-Luc Shopping Centre	486-7393
2324 Lucerne Road, Town of Mount Royal Shopping Centre	735-1155
5268A Queen Mary Road	481-2752

VANCOUVER

544 Howe Street	688-0251
927 Marine Drive, Capilano Mall	980-6061

EDMONTON:

10225 Jasper Ave.	422-5141

REAL ESTATE OFFICES:

RESIDENTIAL:

1599 Ellesmere Road, Scarborough	438-9766
1250 South Service Road, Dixie Plaza, Mississauga	274-3663
400 Adelaide Street North, London	672-0520
424 Queen Street, Ottawa	235-1458

INDUSTRIAL AND COMMERCIAL INVESTMENT:

353 Bay Street, Toronto	869-1880
424 Queen Street, Ottawa	235-1458
2324 Lucerne Road, Montreal	735-4301
Suite 2222, Board of Trade Tower, 1177 West Hastings Street, Vancouver	689-8761

PROPERTY MANAGEMENT:

15 Toronto Street, Toronto	869-1100
116 Lisgar Street, 4th floor, Ottawa	234-8425
544 Howe Street, Vancouver	688-0251

interim report 1976

Metro Trust
The Metropolitan Trust Company

SUBSIDIARY COMPANIES:
CDI Financial Corporation
Canadian First Mortgage Corporation
International Savings and Mortgage Corporation
Scholarship Consultants of North America Ltd.
Metco Investments Limited

The Metropolitan Trust Company

(Incorporated under The Loan and Trust Corporations Act of Ontario)

and its subsidiaries

Consolidated Balance Sheet

June 30, 1976 (with comparative figures at June 30, 1975)
(Unaudited)

ASSETS

	1976	1975
Cash and bank deposit receipts	$ 36,862,000	$ 29,786,000
Short-term investments, at cost which approximates market value	14,931,000	22,817,000
Bonds:		
Government of Canada and Provincial	29,400,000	19,813,000
Municipal and Corporate	6,232,000	4,022,000
Total, at amortized cost (market value 1976 – $34,274,000; 1975 – $22,608,000)	35,632,000	23,835,000
Stocks, at cost (market value 1976 – $6,651,000; 1975 – $4,707,000)	6,147,000	4,748,000
Interest accrued on investments and loans	4,740,000	3,431,000
Fees, commissions and other receivables	402,000	316,000
Income taxes recoverable	–	541,000
Mortgages, loans and advances:		
Mortgage loans, at amortized cost	275,710,000	228,096,000
Advances on mortgages to be resold	13,851,000	10,111,000
Advances to estates, trusts and agencies	487,000	266,000
Personal and secured loans	4,989,000	3,171,000
	295,037,000	241,644,000
Income-producing properties, at cost less accumulated depreciation of $92,000 (1975 – $63,000)	1,263,000	1,289,000
Deferred cost of scholarship programme, less amortization	336,000	408,000
Premises, equipment and leasehold improvements, at cost less accumulated depreciation and amortization of $1,437,000 (1975 – $1,300,000)	1,058,000	1,000,000
	$396,408,000	$329,815,000

LIABILITIES AND SHAREHOLDERS' EQUITY

	1976	1975
Deposits and borrowings:		
Savings and chequing deposits	$106,312,000	$106,642,000
Term deposits	28,846,000	18,646,000
Investment certficates	226,006,000	179,892,000
Interest accrued on deposits and borrowings	10,475,000	6,875,000
	371,639,000	312,055,000
Other liabilities:		
Sundry accrued liabilities	524,000	171,000
Income taxes payable	334,000	–
Mortgage payable on income-producing properties	695,000	729,000
	1,553,000	900,000
Deferred income taxes	2,042,000	1,338,000
Subordinated notes	3,865,000	–
Shareholders' Equity:		
Capital stock – Authorized: 1,000,000 shares without par value Issued: 690,991 shares (1975 – 657,802)	5,981,000	5,973,000
Contributed surplus	2,422,000	2,422,000
Reserve fund	4,500,000	4,000,000
Retained earnings	4,406,000	3,127,000
	17,309,000	15,522,000
	$396,408,000	$329,815,000

On behalf of the Board:

RUDOLF V. FRASTACKY, Chairman of the Board

T. STEWART RIPLEY, President

The Metropolitan Trust Company

and its subsidiaries

Consolidated Statement of Earnings for the six months ended June 30, 1976

(with comparative figures for the six months ended June 30, 1975)

(Unaudited)

	1976	1975
INCOME:		
Interest on mortgages	$14,189,000	$11,140,000
Interest and dividends on securities	3,988,000	2,884,000
Interest on personal and secured loans	317,000	182,000
Fees and commissions from –		
Estates, trusts and agencies	992,000	810,000
Real estate (Note 3)	227,000	178,000
Mortgages	224,000	271,000
Other sources	159,000	107,000
	20,096,000	15,572,000
EXPENSE:		
Interest on deposits and borrowings	14,442,000	11,405,000
Salaries and staff benefits	2,198,000	1,878,000
Premises expense	527,000	466,000
Other operating expenses	1,214,000	870,000
	18,381,000	14,619,000
Earnings before income taxes (Note 1)	1,715,000	953,000
Income taxes	684,000	304,000
Earnings before profits on sales of securities	1,031,000	649,000
Profits on sales of securities less related income taxes of $12,000 (1975 – $30,000)	11,000	29,000
NET EARNINGS	$ 1,042,000	$ 678,000
Earnings per share, based on the weighted average number of shares outstanding (Note 2):		
Earnings before profits on sales of securities	$ 1.49	$ .94
Profits on sales of securities	.02	.04
NET EARNINGS	$ 1.51	$ .98

Notes:

1. Earnings before income taxes include non-taxable dividends and amortization totalling $297,000 (1975 – $324,000)
2. The 1975 comparative earnings per share have been restated to reflect the 5% stock dividend paid in June of 1976.
3. In 1976 real estate commission income is shown net of commissions paid to real estate salesmen. The 1975 comparative figures have been restated to conform with this presentation. Previously commissions paid to real estate salesmen were shown under "Expense".

Consolidated Statements of Contributed Surplus, Reserve Fund and Retained Earnings for the six months ended June 30, 1976

(with comparative figures for the six months ended June 30, 1975)

(Unaudited)

Contributed Surplus

	1976	1975
BALANCE, BEGINNING AND END OF PERIOD	$ 2,422,000	$ 2,422,000

Reserve Fund

	1976	1975
BALANCE, BEGINNING AND END OF PERIOD	$4,500,000	$4,000,000

Retained Earnings

	1976	1975
BALANCE, BEGINNING OF PERIOD	$ 3,696,000	$ 2,452,000
Add net earnings	1,042,000	678,000
	4,738,000	3,130,000
Deduct:		
Stock dividends capitalized at 10 cents per share – 32,866 shares (1975 – 31,301 shares)	3,000	3,000
Cash dividends	329,000	–
	332,000	3,000
BALANCE, END OF PERIOD	$ 4,406,000	$ 3,127,000

The Metropolitan Trust Company

Interim Report to Shareholders for the Six Months Ended June 30, 1976

As the accompanying unaudited statements show, your Company achieved record first-half results for the second consecutive year. Net earnings have improved 54% over the comparative period last year.

This profit improvement was accomplished without increasing the fees we charge the public for our services, and without increasing the spread between interest earned on mortgage investments and interest paid on customer deposits.

There were essentially five main factors which led to better earnings for the six month period.

First, in response to government requests and as a result of internal policies, Metro Trust concentrated a larger share of its deposit funds into private housing mortgage investments and increased its ratio of mortgage investments to total assets.

Second, many mortgages in our portfolio came up for renewal during the first half. Your Company made a concerted effort to retain present mortgage clients, renewing their mortgages at current interest rates.

Third, the Company intensified its mortgage sales activity, which contributed substantially to the increase in our fee income. Also, as a result of restrictive provincial legislation affecting real estate sales to non-residents, the Company successfully directed investments for our clients into the United States market.

Fourth, your Company's branch system was expanded and attracted substantial new deposits.

Fifth, although many of these actions incurred increased expenses, Metro Trust has maintained a continuing cost restraint program, which has also contributed to our first half results.

Several events occurred over the past six months which warrant reporting.

Our Western Region headquarters was established in Edmonton, and our first branch was opened in that city in June. Metro Trust now has 22 branch offices serving customers in British Columbia, Alberta, Ontario and Quebec.

In July, Metro Trust introduced the Flex-Term mortgage program. This program provides our customers with the opportunity to choose a one, two, three, four or five year term mortgage loan. With Flex-Term mortgage loans, Metro Trust can now offer lower interest rates to customers and attract additional new business.

Despite uncertainties concerning the Canadian and international economic picture and the still undefined regulations of the Anti-Inflation Board governing trust companies, your Company anticipates a continued improvement in earnings. To accommodate your Company's expected future growth, a Rights Issue is planned for September of this year. Details of this Issue will be mailed to all shareholders when terms are finalized.

President